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RUEHVEN/USMISSION USOSCE PRIORITY 2948
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001334

SIPDIS

STATE FOR SCA/CEN; EEB
PLEASE PASS TO USTDA DAN STEIN
USEU FOR SPECIAL ENVOY GRAY
ENERGY FOR EKIMOFF, THOMPSON
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E.O. 12958: DECL: 10/01/2018
TAGS: [PGOV](#) [PREL](#) [EINV](#) [EPET](#) [TX](#)
SUBJECT: TURKMENISTAN: KAKAYEV REPEATS "NO FOREIGN
COMPANIES ONSHORE" MESSAGE TO COMMERCE DELEGATION

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: In a meeting with Department of Commerce officials, State Agency for the Management and Use of Hydrocarbons Director Kakayev reinforced previous government statements that Turkmenistan will develop its own onshore hydrocarbon resources. Kakayev said only President Berdimuhamedov can approve the licensing of blocks, and only offshore blocks were "being signed" currently. He indicated that additional U.S. companies should submit offshore proposals, or proposals for onshore service agreements. He also expressed interest in cooperative work regarding the financing of hydrocarbon sector projects. Remaining silent on proposals that have been with the State Agency for a year or more, while petitioning for additional proposals, would seem to raise questions about just what the State Agency--or Berdimuhamedov--is looking for. END SUMMARY.

12. (C) On September 30, the Commerce delegation, led by DAS Paul Dyck, met with State Agency for Management and Use of Hydrocarbon Resources Director Yagshygeldy Kakayev to discuss the potential for expanding the bilateral commercial relationship. After taking a few minutes to explain the mission and goals of the Agency, as well as its role in implementing the new hydrocarbons law, Kakayev said the agency's current main focus is attracting foreign companies to do exploration work in the Caspian Sea. He noted that seven PSAs are currently in operation, but that with the new hydrocarbon law the Agency can now engage companies under four different agreement types. (NOTE: Of the seven PSAs he mentioned, four are offshore, belonging to Buried Hill, Petronas, Wintershall, and Dragon Oil. Three others are onshore, including those with Burren/ENI, the Austrian company Mitro, and Chinese National Petroleum Company (CNPC). The CNPC PSA is the only onshore PSA to be signed since President Berdimuhamedov has been in office. END NOTE.)

13. (C) DAS Dyck asked Kakayev about proposals submitted by U.S. companies Chevron and Marathon, both of whom have

submitted proposals in the last year and a half. Kakayev said that only the president can approve the licensing of blocks for development and exploration, and only offshore blocks were being licensed currently. He added that only service agreements with foreign companies are being signed for onshore work.

¶4. (C) Kakayev acknowledged that he had met with Chevron's country manager recently, and knew the company was a leader in the industry and has a great international reputation. He noted that he and other Agency officials met with Marathon not long ago, when the company's representatives gave a presentation on their gas-to-fuels project proposal. The representatives also extended an invitation for Agency officials to visit a prototype "mini-production" facility the company operates in another country.

¶5. (C) When DAS Dyck asked in what sectors U.S. companies should be encouraged to submit proposals, Kakayev said the Agency was soliciting new proposals for exploration and development offshore. He mentioned Conoco-Phillips' proposal for work in blocks 19, 20, and 21 as an example. Cooperation in financing hydrocarbon sector projects might be another area with potential, and he said that Turkmen Gas State Concern was interested in pursuing this.

¶6. (C) Kakayev said U.S. companies can also compete for international tenders for machinery, technology, services, and materials, if they wish. The Agency only enters into direct negotiations with companies for offshore project

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proposals, however. He told the delegation that Turkmenistan's primary oil and gas conference, TIOGE, is scheduled for November 19-21, and is also a way in which U.S. companies can get involved in the oil and gas sector in Turkmenistan. He invited DAS Dyck to the conference, and indicated invitations, including to the U.S. Embassy, would be distributed in the future.

¶7. (C) COMMENT: Kakayev's comment that only the president approves the licensing of new blocks seems to undermine the new authority of the State Agency as described in the new hydrocarbon law. It seems clear, however, that Turkmenistan will not be signing PSA agreements with foreign companies for onshore work anytime soon. What is less clear is why Kakayev and others are continuing to solicit companies for new offshore proposals when neither the State Agency--nor the president himself--have determined their interest in the ones they already have. END COMMENT.

¶8. (U) DAS Dyck cleared this cable.
CURRAN